

Message Text

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SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT ALAN RIDING BYLINER NEW YORK TIMES
WEDNESDAY DECEMBER 1 HEADED "MEXICO'S NEW CHIEF INHERITING
A CRISIS."

2. JOSE LOPEZ PORTILLO,WHO BEGINS A SIX-YEAR TERM AS PRESI-
DENT OF MEXICO TOMORROW, WILL INHERIT AN ECONOMIC AND
POLITICAL CRISIS THAT DEMANDS HIS IMMEDIATE ATTENTION BUT
HAS ITS ROOTS IN ALMOST INSOLUBLE SOCIAL PROBLEMS.

3.THE INAUGURATION OF MR. LOPEZ PORTILLO WILL ITSELF DIS-
PEL MUCH OF THE RECENT ECONOMIC AND POLITICAL UNCERTAINTY,
WHICH HAS STEMMED FROM RUMORS OF AN IMMINENT MILITARY COUP
OR AN ATTEMPT BY THE OUTGOING PRESIDENT, LUIS ECHEVERRIA
ALVAREZ TO REMAIN IN POWER.

4. MR. LOPEZ PORTILLO IS EXPECTED TO MOVE QUICKLY TO RE-
STORE BASIC CONFIDENCE IN THE ECONOMY BY STABILIZING THE
MEXICAN CURRENCY AND BY SEEKING THE BACKING OF BOTH MEXICAN
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AND FOREIGN BUSINESSMEN AND BANKERS FOR THE AUSTERITY PRO-

GRAM THAT NOW SEEMS NECESSARY.

5. IN ADDITION, HAVING REMAINED SILENT ABOUT HIS PLANS FOR THE COUNTRY SINCE HIS ELECTION JULY 4, MR. LOPEZ PORTILLO CAN COUNT ON POPULAR SUPPORT FOR ANY ATTEMPT TO ASSERT HIS AUTHORITY, NOT ONLY OVER THE COUNTRY BUT MORE SPECIFICALLY OVER THE LINGERING IMAGE OF PRESIDENT ECHEVERRIA.

6. AS A RESULT, DESPITE THE PRESENT CRISIS, THE NEW PRESIDENT WILL PROBABLY ENJOY A BRIEF HONEYMOON WHILE THE COUNTRY'S POLITICAL FORCES DETERMINE THE RESPONSE TO HIS POLICIES.

7. SOME PROBLEMS, HOWEVER, WILL NOT WAIT. ENCOURAGED BY PRESIDENT ECHEVERRIA'S MASS EXPROPRIATION OF PRIVATE FARMS IN NORTHWEST MEXICO TWO WEEKS AGO, LANDLESS PEASANTS THROUGHOUT THE COUNTRY HAVE STEPPED UP THEIR CAMPAIGN FOR LAND.

8. MR. LOPEZ PORTILLO IS THEREFORE UNDER GREAT PRESSURE TO DEFINE HIS POLICY TOWARD THE RURAL SECTOR IF VIOLENCE IS TO BE AVOIDED. FARM WORKER ORGANIZATIONS WANT HIM TO PRESS ON WITH THE EXPROPRIATION AND DISTRIBUTION OF PRIVATE FARMS, WHILE CONSERVATIVES ARE DEMANDING AN END TO LAND INVASIONS AND GOVERNMENT AGITATION AMONG THE PEASANTRY.

9. DISCONTENT WITHIN THE LABOR MOVEMENT OVER THE UNEMPLOYMENT AND INFLATION THAT FOLLOWED THE RECENT DEVALUATIONS OF THE MEXICAN PESO MAY ALSO COME TO A CLIMAX SOON IN NEW WAGE DEMANDS.

10. AFTER DECREEEING A 23 PERCENT NATIONWIDE WAGE INCREASE JUST TWO MONTHS AGO, PRESIDENT ECHEVERRIA COMMITTED THE NEW GOVERNMENT TO REVIEWING WAGES AGAIN ON JAN. 1, JUST AT THE TIME THAT ITS AUSTERITY PROGRAM SHOULD BE TAKING EFFECT.

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11. BUT IF MR. LOPEZ PORTILLO OVERCOMES THESE TWO TESTS OF HIS POLITICAL STRENGTH AND SKILL, MANY MEXICAN ANALYSTS BELIEVE HIS PERSONAL STYLE OF GOVERNMENT SHOULD HELP BRING TOGETHER MANY SECTORS OF SOCIETY THAT HAVE BEEN DRIVEN TO POSITIONS OF NEAR CONFRONTATION BY MR. ECHEVERRIA.

12. UNLIKE THE OUTGOING PRESIDENT, WHO HAS USED FIERCE

LANGUAGE TO CUDGEL CONSERVATIVES AND MOBILIZE LEFTISTS,
MR. LOPEZ PORTILLO PREFERS TO WIN POINTS THROUGH HARD

BARGAINING IN PRIVATE. "THERE WILL BE LESS POPULISM AND
DEMAGOGUERY," ONE OF HIS AIDES SAID "BUT THIS DOESN'T
MEAN HE'S GOING TO MOVE TO THE RIGHT."

13. THE EXTENT TO WHICH THE LOPEZ PORTILLO GOVERNMENT
CAN--OR INDEED WANTS TO--CONTINUE THE REFORMIST POLICIES
OF MR. ECHEVERRIA MAY DEPEND ON SUCH EXTERNAL FACTORS
AS THE WILLINGNESS OF THE INTERNATIONAL MONETARY FUND AND
FOREIGN BANKERS TO CONTINUE MAKING UNCONDITIONAL LOANS TO
SUSTAIN THE MEXICAN ECONOMY.

14. MOST ECONOMISTS BELIEVE THAT MR. LOPEZ PORTILLO CAN--
NOT HOPE TO STABILIZE THE PESO AND CONTROL INFLATION--
RUNNING AT ABOUT 30 PERCENT THIS YEAR--IF HE CONTINUES MR.
ECHEVERRIA'S POLICIES OF MASSIVE DEFICIT SPENDING ON
SOCIAL REFORM PROJECTS.

15. THE ECONOMY IS EXPECTED TO GROW BY ONLY 2 PERCENT
THIS YEAR, AND AN EVEN GREATER RECESSION IS BEING FORECAST
FOR NEXT YEAR AS THE GOVERNMENT TRIES TO CUT ITS BALANCE
OF PAYMENTS DEFICIT OF 3 BILLION DOLLARS, REDUCE ITS
CHRONIC BUDGET DEFICIT AND SLOW THE GROWTH OF ITS FOREIGN
DEBT, NOW 24 BILLION DOLLARS.

16. ONCE STATE FINANCES ARE IN BETTER SHAPE, HOWEVER,
ECONOMIC GROWTH CAN BE RESUMED AND SOME OF THE FRUITS OF
PRESIDENT ECHEVERRIA'S VAST INVESTMENT IN INDUSTRIAL
FACILITIES WILL BE HARVESTED. FOR EXAMPLE, IN THE LAST
SIX YEARS, OIL RESERVES HAVE TRIPLED, OIL PRODUCTION HAS
DOUBLED AND OIL EXPORTS HAVE BEGUN, WHILE THE STEEL,
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PETROCHEMICAL AND ELECTRICITY INDUSTRIES HAVE ALL DOUBLED
THEIR CAPACITIES.

17. AN EXPANDING ECONOMY MAY ALSO ENABLE MR. LOPEZ
PORTILLO TO CARRY OUT ONE OF HIS MAIN GOALS--A MAJOR FIS-
CAL REFORM SWITCHING THE EMPHASIS FROM INDIRECT TO DIRECT
TAXATION AND THE LOAD FROM THE MIDDLE TO THE UPPER CLASS-
ES.

18. THE EXPECTATION THAT THE NEW GOVERNMENT CAN RESTORE
THE CONFIDENCE OF THE PRIVATE SECTOR IN THE ECONOMY,
HOWEVER, DOES NOT EXTEND TO A BELIEF THAT IT CAN RESOLVE
THE ECONOMIC CONTRADICTIONS AND SOCIAL INJUSTICES THAT
ARE DEEPENING THE POLITICAL DIVISIONS IN THE COUNTRY.
(END TEXT.) ROBINSON

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